

Message Text

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AMCONSUL SAO PAULO

UNCLAS BRASILIA 8628

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SUBJECT: BRAZIL'S EXPORT PERFORMANCE FOR JANUARY-AUGUST 1975

THE FOLLOWING REPORT WAS DRAFTED BY RIO AND APPROVED BY THE
EMBASSY.

SUMMARY

BRAZILIAN EXPORTS FOR THE JANUARY-AUGUST 1975 PERIOD SHOW A
28,8 PERCENT INCREASE OVER THE SAME MONTHS OF LAST YEAR,
EXPORTS THIS YEAR OF \$5.8 BILLION COMPARED WITH \$4.5 BILLION
LAST YEAR. THIS AGGREGATE INCREASE IS NOT, HOWEVER, SHARED
BY ALL CATEGORIES OF EXPORTS. AS A MATTER OF FACT, JUST THREE
PRODUCTS (IN PROCESSED AND UNPROCESSED FORMS), SUGAR, SOYBEANS
AND IRON ORE, ACCOUNT FOR 80 PERCENT OF THE YEAR-TO-YEAR INCREASE
FOR ALL EXPORTS. OTHER BASIC PRODUCT EXPORTS ACCOUNT FOR
MUCH OF THE REMAINING GROWTH. MANUFACTURED AND SEMI-MANUFACTURED
EXPORTS ARE NOT MATCHING GROWTH. RATES OF RECENT YEAR ALTHOUGH
SIGNIFICANT INCREASES ARE BEING REGISTERED IN SOME INDIVIDUAL
CATEGORIES. FINANCE MINISTER SIMONSEN RECENTLY SCALED DOWN
BRAZIL'S 1975 OFFICIAL EXPORT ESTIMATE TO \$9.5 BILLION AS COMPARED
WITH THE EARLIER GOAL OF \$10 BILLION. THE REVISED GOAL IS
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ACHIEVABLE BUT MUCH DEPENDS ON FACTORS LARGELY OUT OF THE
CONTROL OF THE BRAZILIAN GOVERNMENT.

END SUMMARY

1. BRAZILIAN EXPORT PERFORMANCE FOR THE FIRST EIGHT MONTHS OF 1975 REGISTERED SIGNIFICANT GROWTH, 29 PERCENT OVER THE SAME PERIOD LAST YEAR. THIS GROWTH IS PARTICULARLY SIGNIFICANT IN VIEW OF THE DIFFICULT WORLD MARKET FACED BY BRAZILIAN EXPORTERS WITH MANY OF THEIR MARKETS BURDENED BY RECESSION, HIGH OIL PRICES AND THE NEED TO RESTRICT THEIR OWN IMPORTS (I.E., BRAZIL'S EXPORTS). HOWEVER, A CLOSER LOOK AT BRAZILIAN EXPORT PERFORMANCE FOR THE YEAR INDICATES THAT THE RATE OF GROWTH HAS BEEN SLOWING DOWN ALMOST WITHOUT EXCEPTION SINCE THE BEGINNING OF THE YEAR. AUGUST EXPORTS AS COMPARED WITH THE SAME MONTH LAST YEAR ONLY SHOW AN INCREASE OF 8.66 PERCENT. ON THE OTHER HAND, AUGUST EXPORTS WERE AN ALL-TIME RECORD FOR ANY MONTH OF ANY YEAR.

2. ADDITIONALLY, DISAGGREGATION OF THE EXPORT FIGURES SHOWS THAT THE BULK, 80 PERCENT, OF THE YEAR-TO-YEAR INCREASE COMES FROM JUST THREE PRODUCTS (IN THEIR VARIOUS STAGES OF PROCESSING), SUGAR, SOYBEANS AND IRON ORE. IN THE CASE OF SUGAR, ALSO ALL THE INCREASE IS DUE TO PRICE; VOLUME IS UP ONLY SLIGHTLY. IN TERMS OF VOLUME, REFINED SUGAR EXPORTS ARE UP ALMOST 200 PERCENT BUT CRISTAL EXPORTS ARE DOWN IN VOLUME AND RAW SUGAR, EXPORTS ARE UP ONLY 10 PERCENT BY VOLUME.) IN TERMS OF PRICE, AVERAGE EXPORT PRICES ARE UP 80 PERCENT IN THE CASE OF RAW SUGAR, 37.5 PERCENT IN THE CASE OF CRISTAL AND 47.86 PERCENT IN REFINED. TOTAL EXPORT EARNINGS FROM THE THREE CATEGORIES OF SUGAR ARE \$955 MILLION, AN INCREASE OF \$441 MILLION OVER THE SAME PERIOD LAST YEAR. SPECIAL FACTORS, DISCUSSED BELOW, INDICATE THAT THIS RATE CANNOT BE SUSTAINED FOR THE REST OF THE YEAR.

3. SOYBEAN EXPORTS (INCLUDING MEAL AND OIL) ARE HAVING A BANNER YEAR, WITH EXPORTS THROUGH AUGUST OF \$845 MILLION, AN INCREASE OF \$369 MILLION. THIS IS MOSTLY DUE TO INCREASED VOLUME, MEAL PRICES ARE DOWN 8 PERCENT ON AVERAGE WHILE BEAN PRICES ARE UP SLIGHTLY 2 PERCENT. SOYBEAN OIL IS NEWCOMER TO BRAZIL'S EXPORTS ROSTER. PROSPECTS ARE CONSIDERED BRIGHT FOR A CONTINUED HIGH LEVEL OF EXPORTS FOR THE BALANCE OF THE YEAR, ALTHOUGH UNCLASSIFIED

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TRADE SOURCES EXPECT SOY OIL EXPORTS TO BE HALTED SHORTLY BECAUSE OF THE NEED TO MEET INTERNAL NEEDS.

4. THE OTHER MAJOR EXPORT GAINER HAS BEEN IRON ORE, WITH 1975 EXPORTS TO DATE OF \$560 MILLION, AN INCREASE OF \$237 MILLION OVER THE SAME PERIOD LAST YEAR. THE CASE OF IRON ORE, THE INCREASE IS DUE TO BOTH PRICE AND VOLUME, WITH BOTH UP AROUND 30 PERCENT. SOME MARKETING DIFFICULTIES ARE BEING EXPERIENCED AND WHOLE YEAR EXPORTS (IN VOLUME, AT LEAST) ARE EXPECTED TO SHOW A LESSER GROWTH RATE.

5. OTHER BASIC PRODUCT EXPORTS HAVE ALSO POSTED A CREDITABLE PERFORMANCE, RISING 16.3 PERCENT FROM \$737 MILLION TO \$857 MILLION (EXCLUDING COFFEE). MANGANESE EXPORTS ARE UP FROM \$22

MILLION TO \$55 MILLION WITH PRICE ACCOUNTING FOR MOST OF THE INCREASE. CORN EXPORTS ARE UP FROM \$16 MILLION TO 91 MILLION ALTHOUGH THIS REPRESENTS A RETURN TO EARLIER EXPORT PATTERNS AFTER A BAD 1974 EXPORT PERFORMANCE.

6. THE PICTURE IN MANUFACTURED AND SEMI-MANUFACTURED EXPORTS (EXCLUSIVE OF THE PROCESSED PRODUCTS MENTIONED ABOVE AND COFFEE, TO BE MENTIONED LATER) IS SOMEWHAT MIXED. WHILE, EXPORTS IN GENERAL ARE UP, THE RATE OF GROWTH IS NOTHING LIKE RECENT YEARS WHEN MANUFACTURED EXPORTS PACED THE BRAZILIAN EXPORT EXPANSION DRIVE. IN LARGE PART, OF COURSE, THIS IS DUE TO THE RECESSION IN MANY OF THE MARKETS FOR BRAZIL'S PROCESSED AND MANUFACTURED EXPORTS. SEMI-MANUFACTURED EXPORTS, ACCORDING TO THE GOB DEFINITION, ARE ACTUALLY DOWN 21 PERCENT (AFTER CRISTAL SUGAR AND SOYBEAN OIL ARE EXCLUDED), FROM \$414 MILLION TO \$326 MILLION. THESE EXPORTS INCLUDE SUCH GOODS AS OTHER VEGETABLE OIL, COCOA BUTTER AND WOOD PRODUCTS.

7. IN MANUFACTURED EXPORTS, SOME SIGNIFICANT GAINS HAVE BEEN REGISTERED PARTICULARLY IN OFFICE EQUIPMENT (\$67 MILLION VS. \$43 MILLION), TRANSPORTATION MATERIAL (\$260 MILLION VS. 96 MILLION AND SHOES (\$102 MILLION VS. \$83 MILLION). ON THE OTHER HAND, SOME MANUFACTURED EXPORTS HAVE HAD SUBSTANTIAL DECLINES IN THE YEAR TO DATE: ELECTRICAL MACHINES AND MATERIAL, PROCESSED BEEF AND TEXTILES. OVERALL, MANUFACTURED EXPORTS (AGAIN, ACCORDING TO THE GOB DEFINITION AND AFTER EXCLUDING PROCESSED SUGAR AND COFFEE) HAVE INCREASED 17.7 PERCENT FROM UNCLASSIFIED

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\$1.28 BILLION TO \$1.5 BILLION. AS IN THE AREAS DISCUSSED, EARLIER, THOUGH, THE RATE OF GROWTH HAS BEEN SLACKNING AS THE YEAR HAS PROCESSED. HOW LOW THE RATE WILL FALL IS A MATTER OF SPECULATION.

8. COFFEE, AS USUAL IN BRAZIL, IS A SPECIAL CASE. EXPORTS THROUGH AUGUST TOTALED \$627 MILLION, A VERY SLIGHT DECREASE OVER LAST YEAR. THIS AGGREGATE FIGURE MASKS A SHARP FALL IN EXPORTS, FROM \$84 MILLION TO \$43 MILLION, AND A MODERATE INCREASE IN GREEN EXPORTS FROM BDTRY MILLION TO \$584 MILLION. PRICES WERE OFF IN BOTH CATEGORIES COMPARED WITH THE PRVIOUS YEAR, BETWEEN 10 AND 15 PERCENT. THE RECENT JULY 1975) FROST RESULTED IN A LARGE RUN-UP IN PRICES. HOWEVER, RELATIVELY FEW EXPORTS HAVE BEEN MADE AT THESE NEW PRICES. A WAIT-AND-SEE ATTITUDE SEEMS TO HAVE DESCENDED ON THE COFFEE MARKET AND FEW SALES ARE BEING REGISTERED. PROSPECTS FOR ATTAINMENT OF THE \$9.5 BILLION GLOBAL EXPORT GOAL DEPEND IN NO SMALL WAY ON THE TIMING OF RENEWED COFFEE EXPORTS. SOME TRADE SOURCES ARE OPTIMISTIC THAT WHOLE YEAR EXPORTS WILL TOP \$1 BILLION BUT THIS IS BECOMING UNLIKELY AS THE INACTIVITY IN THE EXPORT MARKET CONTINUES.

9. IN THE AREA OF SUGAR, PROPECTS ARE NOT BRIGHT FOR A

CONTINUED HIGH LEVEL OF EXPORT EARNINGS FOR TWO REASONS. FIRST, SUGAR PRICES HAVE NOT APPRECIABLY RECOVERED FROM THEIR RECENT LOWS AND NO RECOVERY APPEARS IN SIGHT EITHER. SECONDLY, THE SUGAR INSTITUTE EXPORT DIRECTOR TOLD CONGEN RIO ON SEPTEMBER 26 THAT HE EXPECTED 1975 TOTAL EXPORTS TO AMOUNT TO \$1.1 BILLION, OR ONLY \$150 MILLION OVER THE EIGHT MONTH FIGURES. THIS CLEARLY IMPLIES SUBSTANTIALLY REDUCED EXPORTS OVER THE LAST FOUR MONTHS.

10. IN THE CASE OF IRON ORE, CVRD OFFICIALS INFORMED US THAT THEIR EXPORTS TONNAGES (WHICH ACCOUNT FOR 80 PERCENT OF BRAZIL'S) WILL PROBABLY NOT BE MUCH HIGHER FOR THE FULL YEAR THAN IS 1974. WHILE SALES HAVE DONE QUITE WELL THIS YEAR, BOTH FOR REASONS OF PRICE AND VOLUME, INCREASED DIFFICULTY IS BEING ENCOUNTERED IN FINDING MARKETS FOR BRAZILIAN IRON ORE. THIS IS ATTRIBUTED TO THE RECESSION IN THE INDUSTRIALIZED COUNTRIES.

11. AS NOTED ABOVE, THE STAR PERFORMER THIS YEAR IS UNCLASSIFIED

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SOYBEANS. ALMOST CERTAINLY TO BE THE NUMBER ONE EXPORT THIS YEAR (INCLUDING MEAL AND OIL). A MAJOR EXPORTS WITH OFFICES IN RIO IS NOW PROJECTING FULL YEAR EXPORTS OF \$1.4 BILLION.

12. ATTEMPTS TO PROJECT THE EIGHT MONTH EXPORT FIGURES ONTO THE WHOLE YEAR RUN INTO DIFFICULTY IN AT LEAST TWO OTHER AREAS. FIRSTLY, FOR MANY AGRICULTURAL PRODUCTS THE MARKETING YEAR IS APRIL-DECEMBER. WHILE THE VOLUME AVAILABLE FOR EXPORT IS REASONABLY WELL-KNOWN, PRICES AND HENCE EXPORT EARNINGS ARE DEPENDENT ON WORLD MARKET CONDITIONS. A RELATED CONSIDERATION IS THAT WHILE TRADITIONALLY EXPORT PERFORMANCE PICKS UP CONSIDERABLY OVER THE SECOND HALF OF THE YEAR, AS AGRICULTURAL PRODUCTS ARE MARKETED, THERE IS REASON TO BELIEVE THAT IN AT LEAST SOME PRODUCTS MARKETING HAS TAKEN PLACE SOMEWHAT EARLIER THIS YEAR THAN IS CUSTOMARY. THESE CONSIDERATIONS MAKE PROJECTIONS EVEN MORE HAZARDOUS.

13. COMMENT: THE PICTURE SKETCHED ABOVE SHOWS THAT EXPORTS IN THE AGGREGATE HAVE DONE REASONABLY WELL THUS FAR THIS YEAR. OBVIOUSLY AGGREGATE FIGURES MASK INDIVIDUAL PERFORMANCES. ANY ATTEMPT TO PROJECT YEAR EXPORTS IS OF NECESSITY FRAUGHT WITH PERIL. HOWEVER, SOME OBSERVATIONS DO SEEM WARRANTED: LITTLE FURTHER RISE CAN BE EXPECTED OUT OF SUGAR. PRICES ARE OFF AND EXPORT VOLUME IS NOT EXPECTED TO RISE SIGNIFICANTLY IN VIEW OF PRODUCTION DIFFICULTIES. THERE IS RELATIVELY LITTLE VARIATION LIKELY IN THE VOLUME OF SOY EXPORTS. THE PRICE VARIABLE COULD, HOWEVER, AFFECT THE TOTAL SIGNIFICANTLY. IN THE CASE OF COFFEE, THE TIMING OF AN END OF THE "BUYERS" STRIKE" IS THE KEY TO DETERMINE THE EXPORT EARNINGS FOR THE YEAR. FINALLY, IN THE CASE OF IRON ORE, AN APPARENT EARLY END TO THE RECESSION IN BRAZIL'S EXPORT MARKET COULD AFFECT THE YEAR'S VOLUME ALTHOUGH LAGS HERE MIGHT DELAY A REACTION IN ORE EXPORTS.

JOHNSON

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